



General Assembly

February Session, 2012

Substitute Bill No. 5106

* ____ HB05106HSG ____ 031612 ____ *

**AN ACT CONCERNING THE PRIVATE RENTAL INVESTMENT
MORTGAGE AND EQUITY PROGRAM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-400 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2012*):

3 As used in sections 8-400 to 8-405, inclusive, as amended by this act:

4 (1) "Authority" means the Connecticut Housing Finance Authority
5 as created under section 8-244;

6 (2) "Developer", "mortgagor" or "eligible mortgagor" means (A) a
7 nonprofit corporation incorporated pursuant to chapter 602 or any
8 predecessor statutes thereto, having as one of its purposes the
9 construction, rehabilitation, ownership or operation of housing, and
10 having articles of incorporation approved by the authority in
11 accordance with the provisions of chapter 134; (B) any business
12 corporation incorporated pursuant to chapter 601 or any predecessor
13 statutes thereto, having as one of its purposes the construction,
14 rehabilitation, ownership or operation of housing, and having articles
15 of incorporation approved by the authority in accordance with the
16 provisions of said chapter 134; (C) any limited liability company,
17 partnership, limited partnership, joint venture, sole proprietorship,
18 trust or association having as one of its purposes the construction,
19 rehabilitation, ownership or operation of housing, and having basic

20 documents of organization approved by the authority in accordance
21 with the provisions of said chapter 134; or (D) a family or persons
22 approved by the authority as qualified to own, construct, rehabilitate,
23 manage and maintain housing under a mortgage loan made or insured
24 by the authority under the provisions of said chapter 134 and under an
25 agreement entered into pursuant to the provisions of sections 8-400 to
26 8-405, inclusive, as amended by this act;

27 (3) "Housing", "housing project", "development" or "project" means
28 any undertaking having as its principal purpose the construction or
29 substantial rehabilitation of safe and adequate housing and related
30 facilities for low and moderate income families and persons, including
31 housing that provides dwelling accommodations in addition to the
32 primary purpose of providing dwelling accommodations for low and
33 moderate income families and persons;

34 (4) "Related facilities" means retail, commercial, office, health,
35 administrative, recreational, community and service facilities
36 incidental to housing or the neighborhood in which the housing is
37 located, as determined by the authority;

38 (5) "Rent" means the charges, excluding security deposits, paid to a
39 landlord for occupancy of housing financed or assisted under sections
40 8-400 to 8-405, inclusive, as amended by this act;

41 (6) "Project cost" means the total of all costs incurred in the
42 development of a housing project and any related facilities, which are
43 approved by the authority and the Commissioner of Economic and
44 Community Development as reasonable and necessary, including, but
45 not limited to (A) costs of land acquisition, including any buildings
46 located thereon; (B) costs of site preparation, demolition and
47 development; (C) architectural, engineering, legal and other fees and
48 charges incurred in connection with the planning, execution and
49 financing of the project; (D) the cost of studies, surveys, plans and
50 permits required in connection with the project; (E) insurance, interest,
51 financing, tax and assessment costs and other operating costs incurred

52 during construction; (F) the cost of construction or reconstruction,
53 including the cost of fixtures and equipment related to such
54 construction or reconstruction; (G) the cost of land improvements; (H)
55 necessary expenses incurred in connection with the initial occupancy
56 of the project; (I) a reasonable profit or fee to the builder and
57 developer; (J) an allowance established by the authority for working
58 capital, replacement and contingency reserves, and reserves for any
59 anticipated operating deficits during the first two years of occupancy;
60 (K) the cost of such other items, including tenant relocation, as the
61 authority and the Commissioner of Economic and Community
62 Development shall deem to be reasonable and necessary for the
63 development of the project, less the amount of net rents and other net
64 revenues received from the operation of any real and personal
65 property located on the project site during construction;

66 (7) "Low income unit" means a unit of housing rented to a tenant
67 whose income is below the aggregate family income standards
68 established in sections 8-400 to 8-405, inclusive, as amended by this act;

69 (8) "Mortgage" means a mortgage deed or other instrument which
70 shall constitute a lien, whether first or second, on real property or on a
71 leasehold under a lease having a remaining term at the time such
72 mortgage is acquired which does not expire for a number of years
73 beyond the maturity date of the obligation secured by such mortgage
74 that is equal to the number of years remaining until the maturity date
75 of such obligation;

76 (9) "First mortgage" means such classes of first liens as are
77 commonly given to secure loans on, or the unpaid purchase price of,
78 real property under the laws of the state, together with appropriate
79 credit instruments;

80 (10) "Bonds" means any bonds, notes, interim certificates,
81 debentures or other obligations issued by the state pursuant to sections
82 8-400 to 8-405, inclusive, as amended by this act;

83 (11) "Aggregate family income" means the total family income of all

84 members of a family, from whatever source derived, including but not
85 limited to pensions, annuities, retirement benefits and social security
86 benefits, provided the authority and the Commissioner of Economic
87 and Community Development may exclude from such income, (A)
88 reasonable allowances for dependents, (B) reasonable allowances for
89 medical expenses, (C) all or any part of the earnings of gainfully
90 employed minors or family members other than the chief wage earner,
91 (D) income not regularly received and (E) such other expenses as the
92 Commissioner of Economic and Community Development may allow;

93 (12) "Tenant" means the occupant of any housing unit financed or
94 assisted under sections 8-400 to 8-405, inclusive, as amended by this
95 act;

96 (13) "Second mortgage" means any class of second liens ranking
97 immediately after a first mortgage or class of first liens on the same
98 property, without any intervening liens, as are commonly given to
99 secure loans on real property, or the unpaid purchase price of real
100 property under the laws of the state, together with appropriate credit
101 instruments to insure or guarantee repayment in the event of default
102 by the mortgagor.

103 Sec. 2. Section 8-401 of the general statutes is repealed and the
104 following is substituted in lieu thereof (*Effective July 1, 2012*):

105 Upon preliminary approval by the State Bond Commission
106 pursuant to the provisions of section 3-20, the state, acting by and
107 through the Commissioner of Economic and Community
108 Development, may enter into a contract with a developer, the
109 authority [to provide] or mortgagor of the authority for state financial
110 assistance in the form of grants-in-aid or deferred loans to housing
111 projects financed by the authority through the means of a loan secured
112 by a first mortgage. [; provided, any such financial assistance to be
113 funded with proceeds of bonds authorized by public or special acts
114 effective on or after July 1, 1995, shall be provided as set forth in this
115 section. Commencing October 1, 1995, upon preliminary approval of

116 the State Bond Commission pursuant to the provisions of section 3-20,
117 the state, acting by and through the department may provide a grant-
118 in-aid to the authority for purposes of permitting the authority to
119 extend state financial assistance to a developer or mortgagor of the
120 authority in the form of grants-in-aid or deferred loans to housing
121 projects financed by the authority through means of a loan secured by
122 a first mortgage.] Such grants or deferred loans made to a developer or
123 mortgagor of the authority under this section shall be for construction
124 or rehabilitation of developments containing rental units. The total
125 amount of such grants or deferred loans awarded to a single project
126 shall not exceed an amount equal to one-half of the cost of the project
127 divided by the number of rental units in the project multiplied by the
128 number of low-income units in the project. The total number of low-
129 income units in any project receiving financial assistance under this
130 section shall be not less than twenty per cent and [, for projects
131 receiving assistance prior to October 1, 1995, and for projects receiving
132 assistance from the proceeds of bonds authorized by public or special
133 acts effective prior to July 1, 1995,] shall not be more than forty per cent
134 of the total number of rental units in the project. No project receiving
135 financial assistance under this section shall contain less than twenty-
136 five rental units. Any grant or deferred loan awarded under this
137 section shall be used to reduce the cost of the project. Loan repayments
138 shall be paid to the State Treasurer and deposited in the General Fund.

139 Sec. 3. Section 8-402 of the general statutes is repealed and the
140 following is substituted in lieu thereof (*Effective July 1, 2012*):

141 The state, acting by and through the [Department] Commissioner of
142 Economic and Community Development, may enter into a contract
143 with the authority, developer, or mortgagor of the authority and the
144 authority may enter into a contract with a developer or mortgagor of
145 the authority to provide state financial assistance in the form of rental
146 subsidy certificates for each low-income unit in the project. Any
147 commitment to provide such subsidy shall be an obligation of the state
148 or the authority, as the case may be, for a period of not less than fifteen
149 years, and the amount of such subsidy shall be equal to the difference

150 between the amount of rent plus an allowance for heat and utilities not
151 included in the rent approved by the commissioner or the authority, as
152 the case may be, and thirty per cent of the annual aggregate family
153 income of the tenant residing in the low-income unit for each such unit
154 on an annual basis. The rent charged for a low-income unit may not be
155 increased without the approval of the commissioner or the authority,
156 as the case may be. The annual aggregate family income of a tenant for
157 the year prior to the occupancy of a low-income unit by the tenant
158 shall not exceed fifty per cent of the area median income, adjusted for
159 family size, as determined by the commissioner or the authority, as the
160 case may be. If such annual aggregate family income after occupancy
161 exceeds seventy per cent of the area median income, adjusted for
162 family size, the unit occupied by the tenant will no longer be
163 considered a low-income unit and the next available unit will be
164 rented to a tenant with an aggregate family income of less than fifty
165 per cent of the area median income, adjusted for family size. No tenant
166 residing in a project will receive financial assistance through a rental
167 subsidy certificate under this section if the aggregate family income of
168 the tenant in the prior year exceeds sixty per cent of the area median
169 income, adjusted for family size.

170 Sec. 4. Section 8-403 of the general statutes is repealed and the
171 following is substituted in lieu thereof (*Effective July 1, 2012*):

172 Upon preliminary approval by the State Bond Commission
173 pursuant to the provisions of section 3-20, the state, acting by and
174 through the [Department] Commissioner of Economic and Community
175 Development, may enter into a contract with a developer, the
176 authority [to provide] or a mortgagor of the authority for state
177 financial assistance [to a mortgagor of the authority] in the form of a
178 loan secured by a second mortgage for any housing project for which
179 the authority has provided financial assistance in the form of a loan
180 secured by a first mortgage. [; provided any such financial assistance
181 to be funded with proceeds of bonds authorized by public or special
182 acts effective on or after July 1, 1995, shall be provided as follows:
183 Commencing October 1, 1995, upon preliminary approval of the State

184 Bond Commission pursuant to the provisions of section 3-20, the state,
185 acting by and through the Department of Economic and Community
186 Development may provide a grant-in-aid to the authority, for purposes
187 of permitting the authority to extend state financial assistance to the
188 developer or mortgagor of the authority in the form of a loan secured
189 by a second mortgage for any housing project for which the authority
190 has provided financial assistance in the form of a loan secured by a
191 first mortgage.] Such loan shall be made for the purpose of providing
192 additional financing for the project. Any loan made under this section
193 shall bear interest payable quarterly on the first days of January, April,
194 July and October for the preceding calendar quarter, or at such other
195 times as are determined by the commissioner or the authority, as the
196 case may be, at a rate determined by the State Bond Commission under
197 subsection (t) of section 3-20 and shall be repayable in such
198 installments as may be determined by the commissioner or the
199 authority, as the case may be, within fifty years from the date of
200 completion of the project. Loan repayments shall be paid to the State
201 Treasurer and deposited in the General Fund.

202 Sec. 5. Section 8-404 of the general statutes is repealed and the
203 following is substituted in lieu thereof (*Effective July 1, 2012*):

204 Any contract for financial assistance awarded under sections 8-400
205 to 8-405, inclusive, as amended by this act, [which is funded with
206 proceeds of bonds of the state authorized by public or special acts
207 effective prior to July 1, 1995, or which is funded prior to October 1,
208 1995, shall, and any other contract may] shall contain the requirement
209 that the state or the authority, as the case may be, shall receive, in
210 exchange for any such assistance, a financial participation in the
211 project. Such financial participation shall be in a proportion which
212 shall not be less than the proportion that the number of low-income
213 units in the project bears to the total rental units in the project. Any
214 sale of the project, any interest in the project or any of its units shall
215 require the approval of the Commissioner of Economic and
216 Community Development or the authority, as the case may be, and
217 shall be made upon such terms and conditions as the commissioner or

218 the authority, as the case may be, may approve.

219 Sec. 6. Section 8-405 of the general statutes is repealed and the
220 following is substituted in lieu thereof (*Effective July 1, 2012*):

221 The proceeds from the sale of any bonds issued for the purposes of
222 sections 8-401, as amended by this act, and 8-403, as amended by this
223 act, issued pursuant to any authorization, allocation or approval of the
224 State Bond Commission made [prior to July 1, 1990] after July 1, 2012,
225 and of any notes issued in anticipation thereof as may be required for
226 such purposes shall be applied to the payment of the principal of any
227 such notes then outstanding and unpaid, and the remaining proceeds
228 of any such sale shall be deposited in [a fund designated as the
229 "Private Rental Investment Mortgage and Equity Fund" which fund
230 shall be used to make loans or grants authorized by sections 8-401 and
231 8-403] the Housing Repayment and Revolving Loan Fund established
232 pursuant to section 8-37qq. Payments [from the Private Rental
233 Investment Mortgage and Equity Fund] to the developer, [or] the
234 authority or the mortgagor of the authority shall be made from said
235 fund by the State Treasurer on certification of the Commissioner of
236 Economic and Community Development in accordance with the
237 contract for financial assistance between the state and the authority,
238 [or] the developer or the mortgagor of the authority. All payments of
239 state service charges for any housing project as authorized by the
240 commissioner financed from the proceeds of the state's general
241 obligation bonds issued pursuant to any authorization, allocation or
242 approval of the State Bond Commission made [prior to July 1, 1990]
243 after July 1, 2012, shall be paid to the State Treasurer for deposit in said
244 fund. Subject to the approval of the Governor, any expense incurred by
245 the state in connection with the carrying out of the provisions of this
246 chapter, including the hiring of necessary employees and entering
247 upon necessary contracts, may be paid from [the Private Rental
248 Investment Mortgage and Equity Fund] said Housing Repayment and
249 Revolving Loan Fund.

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|---|---------------------|-------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>July 1, 2012</i> | 8-400 |
| Sec. 2 | <i>July 1, 2012</i> | 8-401 |
| Sec. 3 | <i>July 1, 2012</i> | 8-402 |
| Sec. 4 | <i>July 1, 2012</i> | 8-403 |
| Sec. 5 | <i>July 1, 2012</i> | 8-404 |
| Sec. 6 | <i>July 1, 2012</i> | 8-405 |

Statement of Legislative Commissioners:

In section 6, "from said Housing Repayment and Revolving Loan Fund" was added for clarity.

CE *Joint Favorable C/R*

HSG

HSG *Joint Favorable Subst.-LCO*